

**RULES
OF
TENNESSEE DEPARTMENT OF INSURANCE
INSURANCE DIVISION**

**CHAPTER 0780-1-25
GUIDELINES TO BE FOLLOWED BY COMPANIES OFFERING LIFE INSURANCE
POLICIES TO COLLEGE STUDENTS UNDER A PREMIUM FINANCING ARRANGEMENT**

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0780-1-25-.01 FINANCING ARRANGEMENT.

- (1) If the insured is a minor and executes a promissory note for the payment of part or all of the first year's premium, such note must be witnessed or acknowledged by at least one of the insured's parents or his guardian.
- (2) The giving of a promissory note in connection with the first premium must be set out over the applicant's signature in a document executed at the same time as the application. Such document must show the amount of the note and a copy of the document must be attached to the policy at issue.
- (3) Any down payment must be paid by the applicant in cash and any payment made, directly or indirectly, by the agent to or for the benefit of the applicant in connection with the sale shall be presumed to be a rebate or special inducement.
- (4) If a note is taken to finance less than the first year's premium, the balance must be paid in cash by the applicant at the time the application is taken.
- (5) If a promissory note is taken to finance all or part of the first year's premium, said note may be sold or otherwise transferred by the payee with recourse only.
- (6) A copy of the note and any assignment must be attached to the policy.

Authority: T.C.A. §56-6-127. **Administrative History:** Original rule certified June 10, 1974.

0780-1-25-.02 RECEIPT.

- (1) Upon delivery of the policy, a policy receipt or acceptance form must be executed which recites that:
 - (a) The policy has been issued as represented, and
 - (b) The insured acknowledges and understands the provisions and obligations of the financial indebtedness that he has incurred.
- (2) Such receipt or acceptance form (outlined in Sub-section 1 above) shall be registered by number (preferably corresponding to policy number) in the home office of the company.
 - (a) This receipt must be sent with the policy at time of delivery only.

(Rule 0780-1-25-.02, continued)

- (b) These receipts or acceptance forms shall not be made available as supplies to field representatives or agents, but must be furnished from the home office in transmittal of the policy to the writing agent.

Authority: T. C.A. §56-6-127. *Administrative History:* Original rule certified June 10, 1974.

0780-1-25-.03 TRANSFER OF NOTE. Promissory notes shall not be sold or otherwise transferred nor any commissions on the sale paid to the agent until such receipt or form (Paragraph (2) of Rule 0780-1-24-.02 above) has been received in the home office of the company.

Authority: T. C.A. §56-6-127. *Administrative History:* Original rule certified June 10, 1974.

0780-1-25-.04 UNDERWRITING PRINCIPLES.

- (1) The maximum amount of any financing arrangement which may be executed in connection with such a transaction should be in accordance with reasonable and sound underwriting and business practices. (Note: A financed program should not be sold to an undergraduate on a basis where premiums would come due prior to the anticipated date of graduation by the insured.)
- (2) In case a request is made by an insured to cancel such a policy and premium arrangement, this Department will expect the cooperation of the company and its agents in bringing such matter to a satisfactory conclusion as expeditiously as possible.
- (3) Any cash values shown at the time of presentation should be based on the face amount of the policy being offered and not for a larger policy. For example, if a \$10,000 policy is being presented, the values for such \$10,000 policy and not for a \$50,000 or \$75,000 program should be given. Such a presentation tends to lead to misunderstanding on the part of the insured when he receives his \$10,000 policy and the cash values are less than what he was shown at the time of sale. The effect of payment of any pure endowment benefits on subsequent cash values shall be pointed out.

Authority: T. C.A. §56-6-127. *Administrative History:* Original rule certified June 10, 1974.

0780-1-25-.05 MISLEADING TITLES, LICENSE REQUIRED.

- (1) An agent or field representative who is licensed by this State as a life insurance agent shall not represent, refer to or hold himself out to the public under any special title which would obscure the fact that he is a licensed agent of the company. Identification as an agent or representative of a special division of such company may be permitted providing (a) such a division actually exists, and (b) the agency relationship is disclosed.
- (2) As provided by §56-6-126. Tennessee Code Annotated, no person other than a licensed agent shall participate or receive commission or any other valuable consideration in connection with the solicitation of, negotiation for, or procurement or making of life insurance contracts in this State.

Authority: T. C.A. §56-6-127. *Administrative History:* Original rule certified June 10, 1974.

0780-1-25-.06 EFFECTIVE DATE. This Chapter shall become effective on March 1, 1971.

Authority: T. C.A. §56-6-127. *Administrative History:* Original rule certified June 10, 1974.